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Title: Contract No. GLWA-CS-290 Updated Proposals for Potential Refunding and New Money Bond Transactions

Sponsors: Nicolette Bateson

Indexes: Finance

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Attachments: 1. Attachments A&B, 2. GLWA-CS-290 Procurement Report 6-13-18

Date	Ver.	Action By	Action	Result
6/20/2018	1	Board of Directors	Approved	Pass

Contract No. GLWA-CS-290 Updated Proposals for Potential Refunding and New Money Bond Transactions

Agenda of: June 20, 2018
Item No.: **2018-813**
Amount: N/A

TO: The Honorable
Board of Directors
Great Lakes Water Authority

FROM: Sue F. McCormick
Chief Executive Officer
Great Lakes Water Authority

DATE: June 18, 2018

RE: Contract No. GLWA-CS-290 Updated Proposals for Potential Refunding and New Money Bond Transactions
Vendors: Citigroup Global Markets Inc. and Wells Fargo Bank, N.A.

MOTION

Upon recommendation of Nicolette Bateson, Chief Financial Officer/Treasurer, The Board of Directors (Board) of the Great Lakes Water Authority (GLWA):

- a) approves the recommendation of the evaluation panel to approve Citigroup as Bookrunning Senior Managing Underwriter and Wells Fargo Bank, N.A. as Co-Senior Managing Underwriter on

the proposed 2018 GLWA refunding and new money bond issues;

- b) approves the recommendation of the evaluation panel to approve Goldman Sachs & Co., JP Morgan Securities LLC, Morgan Stanley & Co., Ramirez & Co. and Siebert Cisneros Shank & Co as Co-managers on the proposed 2018 GLWA refunding and new money bond issues; and
- c) authorizes the Chief Executive Officer (CEO) and/or the Chief Financial Officer/Treasurer or their designee to negotiate the final fees with the selected Bookrunning Senior Managing Underwriter prior to the sale of the bonds.
- d) authorizes the CEO to take such other action as be necessary to accomplish the intent of this vote.

BACKGROUND

At its meeting on June 27, 2016, as part of the underwriter selection process related to its inaugural 2016 bond transaction, the Great Lakes Water Authority (GLWA) Board of Directors (Board) approved the following list of ten (10) firms that were deemed qualified to act as senior managing underwriters for subsequent GLWA bond issuances.

- Barclays Capital, Inc.
- Citigroup Global Markets, Inc.
- Goldman Sachs & Co.
- JP Morgan Securities LLC
- Morgan Stanley & Co.
- Piper Jaffray & Co.
- PNC Capital Markets
- Ramirez & Co.
- Siebert Brandford (Cisneros) Shank
- Wells Fargo Securities

Furthermore, the GLWA Board directed that in the event of a subsequent bond issuance, the Chief Procurement Officer shall:

- 1) Convene an evaluation panel to interview and review the qualifications of each of the ten (10) firms listed below to serve as Bookrunning Senior Managing Underwriter or Co-Senior Managing Underwriter for that issuance; or
- 2) Issue a Request for Proposals (RFP) to select a Senior Managing Underwriter(s) for that transaction.

JUSTIFICATION

To begin preparations for GLWA's proposed transactions as outlined below, GLWA is required to select the Senior (Book Running) Underwriter as directed by the GLWA Board, for the proposed bond issues. The target date to complete the proposed transactions is October 1, 2018. To meet this time schedule, the financing team needs to be finalized by July 1, 2018 so that there is sufficient time to approve resolutions, draft and circulate disclosure documents, meet with the rating agencies and investors as well as price and deliver the bonds before the October deadline.

Proposed Transactions: The outstanding GLWA bonds for the water and sewer systems that are the focus of the refunding plan total approximately \$178 million for the water system approximately and approximately \$190 million for the sewer system. These include the current refunding of Series 2001C second lien bonds of the Water System, the current refunding of the senior lien 1998A, 1998B, and 2001 C2 Sewer System Bonds, as well as the potential taxable advance refunding of the senior lien Series 2001 C1 Sewer System Bonds. Additionally, GLWA has been notified by DWSD that it will need GLWA to issue approximately \$75 million of new money sewer bonds on its behalf.

Time Schedule: GLWA put together an aggressive time schedule of less than 30 days to advertise and select the Senior Underwriter. This schedule and proposed selection processes were reviewed and approved by the GLWA Audit Committee at its May 22, 2018 meeting and by the GLWA Board of Directors at its May 23, 2018 meeting. Below is the time schedule for the underwriter solicitation process.

Underwriter Solicitation Time Schedule

Category	Date
Review Strategy at Audit Committee	May 22,
Send out Underwriter Solicitation	May 23,
Solicitation Responses Due	June 5,
PFM to Provide Summary Analysis of Underwriter	June 8,
Scoring of Written Responses	June 11,
Meeting with Underwriters	June 12,
Final Evaluations/Recommendation	June 13,
Audit Committee Review of Recommended Underwriter	June 15,
Board Approval of Underwriting Team	June 27

Selection Process: GLWA, through its Procurement Group, issued a Request for Updated Proposals from the pre-approved list of the 10 underwriters above. An evaluation panel was assembled to represent GLWA, DWSD and the member communities in the selection process. The panel evaluated all 10 firms that responded to the request, based on their written proposals and oral interviews.

Evaluation Panel: To accomplish the objective of selecting the Senior Underwriter, an evaluation panel was selected in accordance with the Board's direction of having 3 GLWA representatives, 2 DWSD representatives and one member community representative. The evaluation panel was comprised of the following members.

- Nicolette Bateson, CPA, Chief Financial Officer/Treasurer, GLWA
- Thomas Naughton, Chief Financial Officer, DWSD
- Jeff McKeen, General Manager, Southeast Oakland County Water Authority
- Jon Wheatley, Public Finance Manager, GLWA
- Robert Rice, Public Finance Manager, DWSD
- Kim Garland, Public Finance Management Professional, GLWA

Proposal Scoring: The scoring of the proposals was based on the written responses to the proposals, which included recommended financing plan and structure, rating agency strategy and

investor marketing strategy. The scoring for the written responses was completed prior to the oral interviews. The oral interviews with all 10 underwriting firms were held on June 12, 2018. The oral interviews and team members were also scored as part of the evaluations. After the written response and oral interview scoring, the fees were also scored, based on the separate submissions by the firms, as summarized in the attached **Attachment B**, which was prepared by GLWA's financial advisor, PFM. The total weighting of the evaluation criteria is shown below.

Underwriter Solicitation Scoring Criteria

Category	Points
Refinancing Plan and Structure	20
Credit and Market Strategy	15
Recent Coverage of GLWA	10
Fees	10
Oral Interview and Project Team	10
Total	105

Panel Recommendation: Based on the panel's final scoring of the evaluation criteria referenced above, it was the unanimous recommendation of the evaluation panel to select Citigroup as the Bookrunning Senior Managing Underwriter and Wells Fargo Securities as the Co-Senior Manager for the upcoming refunding and new money bond sales (see, "Roles of the Underwriter" below). The summary of the evaluation panel's final scoring is shown in **Attachment A**.

In addition to the Bookrunning Senior Manager and Co-Senior Managers selected above, the evaluation panel also recommends the following list of co-managers for the upcoming transactions:

- Goldman Sachs & Co.
- JP Morgan Securities LLC
- Morgan Stanley & Co.
- Ramirez & Co.
- Siebert Cisneros Shank & Co.

FINANCIAL IMPACT

All fees and expenses related to the proposed selection of Citigroup as Bookrunning Senior Managing Underwriter and Wells Fargo Bank, N.A. as Co-Senior Managing Underwriter will be payable from bond proceeds from the proposed 2018 refunding and new money bonds.

COMMITTEE REVIEW

This matter was evaluated by the Audit Committee at its meeting on June 15, 2018. The Audit Committee unanimously recommended that the GLWA Board adopt the Resolution as presented.

SHARED SERVICES IMPACT

This item does not impact the shared services agreement between GLWA and DWSD.